Ex. C

(3 of 3)

Metropolitan Life Insurance Company
12902 EAST 51 ST
PO BOX 500
TULSA OK 74102-0500

MetLife

MP4011070931

February 9, 1995

POLLY C HOLDER
1 MAIN STREET
HOMETOWN NY 12345

Re: Policy # 555 555 555 A Insured: POLLY C HOLDER

Dear Ms. Holder,

Thank you for your inquiry about our Accelerated Payment (AP) arrangement for paying policy premiums. We have determined that your policy will become eligible for this payment arrangement on July 20, 1997. This eligibility assumes that you will not make any withdrawals from the policy and that you will pay all premiums due until the eligibility date.

Once you are eligible, this payment arrangement will allow your annual premium to be paid by withdrawing the premium amount from your policy's dividend and Paid-Up Additions Rider balances. This will eliminate the need for you to pay your premiums by cash, check or money order.

It is important for you to understand the following with respect to the AP arrangement:

This method of paying premiums does not make the policy "paid-up" nor does it reduce the number of premiums that must be paid. Instead, the AP arrangement simply allows you to pay your premiums using policy values as long as those values are sufficient.

Since the current dividend scale is not guaranteed for the future, it is important to remember that any fluctuation in future dividend scales may change this eligibility date. An increase in dividends could result in an earlier date while a decrease in dividends could extend it further into the future.

Certain transactions can impact your eligibility for the AP arrangement: for example, taking a policy loan, failing to pay loan interest, withdrawing from policy values, changing your dividend option, or changing your frequency of payment to other than annual.

CONFIDENTIAL

#221FLR

If on July 20, 1997, you still wish to have your premiums paid by the AP arrangement, please contact your MetLife Representative. We will then verify whether or not your policy is still eligible for this arrangement.

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at (999) 999-9999 or contact me at the above return address. You may also call our toll-free customer service number, 1+800+MET-5000 (1+800+638-5000). Our busiest day is Monday, so the best time to call, if possible, is Tuesday through Friday.

Sincerely,

Joe Clerk

Joe Clerk
Cash/Loan/Dividend/Matured Endowment
MetLife Customer Service Center - Tulsa

MP401070932

CONFIDENTIAL

Metropolitan Life Insurance Company
12902 EAST 51 ST
PO BOX 500
TULSA OK 74102-0500

MetLife

MP4011070933

February 9, 1995

POLLY C HOLDER
1 MAIN STREET
HOMETOWN NY 12345

Re: Policy # 666 666 666 A Insured: POLLY C HOLDER

Dear Ms. Holder,

Thank you for your inquiry about our Accelerated Payment (AP) arrangement for paying policy premiums. We have determined that your policy will become eligible for this payment arrangement on August 1, 1998. This eligibility assumes that you will not make any withdrawals from the policy and that you will pay all premiums due until the eligibility date.

Once you are eligible, this payment arrangement will allow your annual premium to be paid by withdrawing the premium amount from your policy's Paid-Up Additions Rider balance. This will eliminate the need for you to pay your premiums by cash, check or money order.

It is important for you to understand the following with respect to the AP arrangement:

> This method of paying premiums <u>does not</u> make the policy "paid-up" nor does it reduce the number of premiums that must be paid. Instead, the AP arrangement simply allows you to pay your premiums using policy values as long as those values are sufficient.
>
> Certain transactions can impact your eligibility for the AP arrangement: for example, taking a policy loan, failing to pay loan interest, withdrawing from policy values, changing your dividend option, or changing your frequency of payment to other than annual.

If on August 1, 1998, you still wish to have your premiums paid by the AP arrangement, please contact your MetLife Representative. We will then verify whether or not your policy is still eligible for this arrangement.

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at (999) 999-9999 or contact me at the above return address. You may also call our toll-free customer service number, 1+800+MET-5000 (1+800+638-5000). Our busiest day is Monday, so the best time to call, if possible, is Tuesday through Friday.

MP4011070934

Sincerely,

Joe Clerk

Joe Clerk
Cash/Loan/Dividend/Matured Endowment
MetLife Customer Service Center - Tulsa

CONFIDENTIAL

CWS NOTICE OF CASH QUOTES, MATURITIES, AUTOMATIC PREMIUM LOANS, PENDING CAS PAYMENTS, AND ACCEL PAY INQUIRIES SUBMITTED FROM OTHER OFFICES. 02/09/9

MP401107093S

POLICY NO/SUFF/ACTION	HO	PAYEE NAME / ADDRESS / POLICYOWNER	CASH VALUE
111 111 111 A ACCEL PAY ELIGIBILITY INQUIRY - POLICY IS ELIGIBLE	CEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	100.0C
222 222 222 A ACCEL PAY ELIGIBILITY INQUIRY - POLICY IS ELIGIBLE	CEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	200.0C
333 333 333 A ACCEL PAY ELIGIBILITY INQUIRY - POLICY IS ELIGIBLE	CEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	300.0C
444 444 444 A ACCEL PAY ELIGIBILITY INQUIRY - POLICY IS NOT ELIGIBLE UNTIL 06/10/96	CEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	400.0C
555 555 555 A CCEL PAY ELIGIBILITY NQUIRY - POLICY IS NOT GIBLE UNTIL 07/20/97	CEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	500.0C
666 666 666 A ACCEL PAY ELIGIBILITY INQUIRY - POLICY IS NOT ELIGIBLE UNTIL 08/01/98	CEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	600.00
888 888 001 A CASH QUOTE	NEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	800.00
888 888 002 A PENDING CASH SURRENDER	NEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	800.0C
888 888 003 A INITIAL MATURITY	NEHO	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	800.00
888 888 004 A CASH QUOTE AND REQUEST FORM SENT	TELE	POLLY C HOLDER 1 MAIN STREET HOMETOWN NY 12345 POLLY C HOLDER	800.00

THIS REPORT HAS BEEN PREPARED FOR INFORCE DISTRICT XXX, AGENCY 999

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP4011070936

FOR QUESTIONS OR SERVICE, PLEASE CAL 1-800-MET-5000 (1-800-638-5000) OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 193 456 789 PR — Policy Number
JANE POLOWNER — Name of Insured

Dear Policyowner

We are pleased to inform you that future annual premiums for this policy will be paid by the Accelerated Payment (AP) arrangement.

Under this payment arrangement, the annual premium will be paid by withdrawing the premium amount from your policy's dividend balance. This will eliminate the need for you to pay your premiums by cash, check or money order.

However, you will continue to receive a billing notice approximately four weeks before the anniversary date of your policy. At that time, you will have the option of either paying the premium yourself or having it paid by the AP arrangement. If not paid by you, the premium will be paid by the AP arrangement 21 days after the due date.

It is important for you to understand the following with respect to the AP arrangement:

> This method of paying premiums does not make the policy "paid-up" nor does it reduce the number of premiums that must be paid. Instead, the AP arrangement simply allows you to pay your premiums using policy values as long as those values are sufficient.
>
> Since the current dividend scale is not guaranteed for the future, it is important to remember that any fluctuation in future dividend scales may change this arrangement. A future decrease in dividends could require you to make additional out-of-pocket premium payments.
>
> Certain transactions can impact, or even terminate, your AP arrangement. For example, if you take a policy loan, fail to pay loan interest, withdraw from policy values, change your dividend option, or change your frequency of payment to other than annual, you may need to resume out-of-pocket premium payments.

ONFIDENTIAL

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Thank you for insuring with MetLife.

Sincerely

Jeannie Eidschun

CASH/LOAN/DIVIDEND/MATURITIES
METLIFE CUSTOMER SERVICE CENTER - TULSA
JAN 09, 1995

AP-A

MetLife®

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP401070937

FOR QUESTIONS OR SERVICE, PLEASE C
1-800-MET-5000
(1-800-638-5000)
OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 203 456 789 PR — Policy Number
JANE POLOWNER — Name of Insured

Dear Policyowner

We are pleased to inform you that future annual premiums for this policy will be paid by the Accelerated Payment (AP) arrangement.

Under this payment arrangement, the annual premium will be paid by withdrawing the premium amount from your policy's dividend and Paid-Up Additions Rider balances. This will eliminate the need for you to pay your premiums by cash, check or money order.

However, you will continue to receive a billing notice approximately four weeks before the anniversary date of your policy. At that time, you will have the option of either paying the premium yourself or having it paid by the AP arrangement. If not paid by you, the premium will be paid by the AP arrangement 21 days after the due date.

It is important for you to understand the following with respect to the AP arrangement:

CONFIDENTIAL

> This method of paying premiums **does not** make the policy "paid-up" nor does it reduce the number of premiums that must be paid. Instead, the AP arrangement simply allows you to pay your premiums using policy values as long as those values are sufficient.
>
> Since the current dividend scale is not guaranteed for the future, it is important to remember that any fluctuation in future dividend scales may change this arrangement. A future decrease in dividends could require you to make additional out-of-pocket premium payments.
>
> Certain transactions can impact, or even terminate, your AP arrangement. For example, if you take a policy loan, fail to pay loan interest, withdraw from policy values, change your dividend option, or change your frequency of payment to other than annual, you may need to resume out-of-pocket premium payments.

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Thank you for -- ...ring ...Life.

Sincerely

Tim Thomas

POLICY DISBURSEMENTS & ADMINISTRATION
METLIFE CUSTOMER SERVICE CENTER - WARWICK

AP-B

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP4011070938

FOR QUESTIONS OR SERVICE, PLEASE CALL 1-800-MET-5000 (1-800-638-5000) OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 213 456 789 PR — Policy Number
JANE POLOWNER — Name of Insured

Dear Policyowner

We are pleased to inform you that future annual premiums for this policy will be paid by the Accelerated Payment (AP) arrangement.

Under this payment arrangement, the annual premium will be paid by withdrawing the premium amount from your policy's Paid-Up Additions Rider balance. This will eliminate the need for you to pay your premiums by cash, check or money order.

However, you will continue to receive a billing notice approximately four weeks before the anniversary date of your policy. At that time, you will have the option of either paying the premium yourself or having it paid by the AP arrangement. If not paid by you, the premium will be paid by the AP arrangement 21 days after the due date.

It is important for you to understand the following with respect to the AP arrangement:

> This method of paying premiums does not make the policy "paid-up" nor does it reduce the number of premiums that must be paid. Instead, the AP arrangement simply allows you to pay your premiums using policy values as long as those values are sufficient.
>
> Certain transactions can impact, or even terminate, your AP arrangement. For example, if you take a policy loan, fail to pay loan interest, withdraw from policy values, change your dividend option, or change your frequency of payment to other than annual, you may need to resume out-of-pocket premium payments.

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Sincerely

Jeannie Eidschun

CASH/LOAN/DIVIDEND/MATURITIES
METLIFE CUSTOMER SERVICE CENTER - TULSA
JAN 09, 1995

CONFIDENTIAL

AP-C

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP4011070939

FOR QUESTIONS OR SERVICE, PLEASE CA
1-800-MET-5000
(1-800-638-5000)
OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 133 456 789 PR — Policy Number
JANE POLOWNER — Name of Insured

Dear Policyowner

We are writing to let you know that, as a result of your recent policy change, the premiums for this policy will no longer be paid by the Accelerated Payment (AP) arrangement.

Therefore, in order to keep your policy in full benefit, it is necessary for you to begin making out-of-pocket premium payments again.

You will be billed for your next premium due MAR 31, 1995.

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Sincerely

Jeannie Eidschun

CASH/LOAN/DIVIDEND/MATURITIES
METLIFE CUSTOMER SERVICE CENTER - TULSA
JAN 09, 1995

CONFIDENTIAL

Thank you
for
insuring

AP-3A

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP4011070940

FOR QUESTIONS OR SERVICE, PLEASE CAL 1-800-MET-5000 (1-800-638-5000) OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 143 456 789 PR (Policy Number) JANE POLOWNER (Name of Insured)

Dear Policyowner

We are writing to let you know that, as a result of your recent request, the premiums for this policy will no longer be paid by the Accelerated Payment (AP) arrangement.

Therefore, in order to keep your policy in full benefit, it is necessary for you to begin making out-of-pocket premium payments again.

You will be billed for your next premium due MAR 31, 1995 .

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Sincerely

Tim Thomas

POLICY DISBURSEMENTS & ADMINISTRATION
METLIFE CUSTOMER SERVICE CENTER - WARWICK
JAN 09, 1995

CONFIDENTIAL

Thank you for insuring with

AP-3B

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP401107094I

FOR QUESTIONS OR SERVICE, PLEASE CA
1-800-MET-5000
(1-800-638-5000)
OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 153 456 789 PR — Policy Number
JANE POLOWNER — Name of Insured

Dear Policyowner

We are writing to let you know that, as a result of your recent change to the Premium Reduction dividend option, the premiums for this policy will no longer be paid by the Accelerated Payment (AP) arrangement. In order for this payment arrangement to remain in effect, the dividend option must be either Additional Paid-Up Insurance or Dividends to Accumulate at Interest.

Therefore, in order to keep your policy in full benefit, it may be necessary for you to begin making out-of-pocket premium payments again.

You will be billed for your next premium due MAR 31, 1995 .

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Sincerely

Jeannie Eidschun

CASH/LOAN/DIVIDEND/MATURITIES
METLIFE CUSTOMER SERVICE CENTER - TULSA
JAN 09, 1995

CONFIDENTIAL

Thank you for insuring

AP-3C

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP4011070942

FOR QUESTIONS OR SERVICE, PLEASE CALL 1-800-MET-5000 (1-800-638-5000) OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 163 456 789 PR (Policy Number) JANE POLOWNER (Name of Insured)

Dear Policyowner

We are writing to let you know that, as a result of your recent change to the Cash dividend option, the premiums for this policy will no longer be paid by the Accelerated Payment (AP) arrangement. In order for this payment arrangement to remain in effect, the dividend option must be either Additional Paid-Up Insurance or Dividends to Accumulate at Interest.

Therefore, in order to keep your policy in full benefit, it is necessary for you to begin making out-of-pocket premium payments again.

You will be billed for your next premium due MAR 31, 1995.

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Sincerely
Tim Thomas

POLICY DISBURSEMENTS & ADMINISTRATION
METLIFE CUSTOMER SERVICE CENTER - WARWICK
JAN 09, 1995

Thank you for insuring with MetLife.

CONFIDENTIAL

AP-3D

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP401107094З

FOR QUESTIONS OR SERVICE, PLEASE CA
1-800-MET-5000
(1-800-638-5000)
OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 173 456 789 PR — Policy Number
JANE POLOWNER — Name of Insured

Dear Policyowner

We are writing to let you know that, as a result of your recent change in the frequency of your premium payments, the premiums for this policy will no longer be paid by the Accelerated Payment (AP) arrangement. In order for this payment arrangement to remain in effect, premiums must be paid annually.

Therefore, in order to keep your policy in full benefit, it is necessary for you to begin making out-of-pocket premium payments again.

You will be billed for your next premium due MAR 31, 1995 .

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Sincerely

Jeannie Eidschun

CASH/LOAN/DIVIDEND/MATURITIES
METLIFE CUSTOMER SERVICE CENTER - TULSA
JAN 09, 1995

CONFIDENTIAL

Thank you for insuring with MetLife.

AP-3E

MetLife

4800 LAKEWOOD DRIVE SUITE #1
WACO TX 76710

Questions?
Contact your MetLife Representative:
817-776-2520
Sales Office / Agency:
D41/023

MP4011070944

FOR QUESTIONS OR SERVICE, PLEASE CALL
1-800-MET-5000
(1-800-638-5000)
OR THE TELEPHONE NUMBER ABOVE.

JOHN Q POLOWNER
1 MAIN STREET
HOMETOWN NY

Re 183 456 789 PR — JANE POLOWNER
Policy Number — Name of Insured

Dear Policyowner

We are writing to let you know that, as a result of your recent change in the frequency of your premium payments, the premiums for this policy will no longer be paid by the Accelerated Payment (AP) arrangement. In order for this payment arrangement to remain in effect, premiums must be paid annually.

Therefore, in order to keep your policy in full benefit, it is necessary for you to begin making out-of-pocket premium payments again.

Your next premium is due MAR 31, 1995.

If you have questions about the AP arrangement or your insurance coverage in general, please call your MetLife Representative at the telephone number listed above.

Sincerely
Tim Thomas

POLICY DISBURSEMENTS & ADMINISTRATION
METLIFE CUSTOMER SERVICE CENTER - WARWICK
JAN 09, 1995

hank you for insuring with MetLife.

CONFIDENTIAL

AP-3P

E11.80 REPORTS SENT LETTERS ON ACCELERATED PAYMENT ARRANGEMENT POLICIES TO POLICYOWNERS LISTED BELOW

POLICY NUMBER/SUFF		POLICYOWNER	VERSION/DESCRIPTION	DATE SENT
213 456 789	PR	JOHN Q POLOWNER	C WELCOME AP PUAR	01/09/95
203 456 789	PR	JOHN Q POLOWNER	B WLCME AP DV/PUAR	01/09/95
193 456 789	PR	JOHN Q POLOWNER	A WELCOME AP DIV	01/09/95
183 456 789	PR	JOHN Q POLOWNER	3F MODE CHG-SP ACT	01/09/95
173 456 789	PR	JOHN Q POLOWNER	3E MODE CHG-SEMI	01/09/95
163 456 789	PR	JOHN Q POLOWNER	3D OPT CHG CASH	01/09/95
153 456 789	PR	JOHN Q POLOWNER	3C OPT CHG-PRM RED	01/09/95
143 456 789	PR	JOHN Q POLOWNER	3B CANC-REQ BY PH	01/09/95
133 456 789	PR	JOHN Q POLOWNER	3A POLICY CHANGE	01/09/95

DISTRICT: AGENT: REPORT DATE: 01/09/95

4011070945

CONFIDENTIAL

MetLife® Tulsa — Customer Services & Communications

OUTSTANDING SERVICE
Through Quality Service Skills

We're Building Our Future On It

To All Training, Resource & Second Tier CSRs

Re "AP" (Accelerated Payment) Cases
UL Policies With Inadequate Target Premiums

There has been a lot of dialogue about the impact of the changing dividend scale on "AP" cases. As you know, we get lots of complaints because policies are not eligible on the originally anticipated date.

The one issue we have not addressed is the fact that there are 83,000 policies that WERE eligible and placed on "AP," but because dividend scales changed AFTER they were on AP, they would now not be eligible. At some point in the future, premiums may again be required. It is estimated that 25% (20,750 policies) fall into this category.

One area that has not been discussed to any extent is that we have a very similar situation with UL policies. "Target" premiums were established on the basis of anticipated earnings and interest rates. However, now because of the changing economy, these earnings will not be realize. Consequently - AT SOME POINT IN THE FUTURE - the COI will exceed the amount available in the Accumulation Fund if only the "Target Premium" is being paid.

The attached material is some of what has come up because of the Accelerated Payment Natural Work Team. I didn't it was appropriate for everyone, but I at least wanted you to be aware that these issues are finally receiving attention at the Senior Management level.

Jim

April 28, 1994

CONFIDENTIAL

APR 21 '94 8:01 FROM METLIFE TO 82528847 PAGE.003

ATTACHMENT
4

To: Frank Lynch
Senior Vice-President
PI Customer Services
NYHO, Area - 5H

CONFIDENTIAL

From: Thomas M. La Badia
Vice-President
PI Customer Services
Bridgewater, Area - 2E

Re: ***Request From Mr. Tweedie Concerning UL Customers With Target Premiums Inadequate To Carry Policies***

I have had several quick meetings on this subject and the related Traditional Business issues (e.g. Vanishing Premium/APP, Impact of Reduced Dividend Scales on Purchase Assumptions, etc.).

The most proper and comprehensive method of providing our customers with the impact of changes to dividend scales, interest rates and cost of insurance charges would require several major long term initiatives included in which are the following:

1. Capture at Issue all information related to how a case was sold including purchase assumptions related to expected cash flow in and out of the contract. Retain and react to these assumptions whenever disturbed by changes in our inforce pricing(e.g. Dividend Scale Change, UL Interest Rate, Cost of Insurance Rate, etc.). Relate these changes to the policyholder life cycle goals such as College Funding, Pension Maximization, etc.

2. Communicating changes to the policyholder along with possible alternative actions would require the restoration of a main frame inforce illustration system which could be generated by the Administrative Systems loading of necessary data to reflect changes and alternatives. This is presently only available via a Sales Representative entering necessary data and "what if" alternatives into a PC based inforce illustration system.

Both of the above initiatives are being addressed by people involved in major compliance activity, however, preliminary estimates indicate that a very lengthy and expensive effort will be required.

As an alternative, I have asked my units to quickly devise a short term strategy based upon data and information presently available. We expect to have several proposals very shortly.

Among the alternatives being addressed are:

1. A redesigned bill having 3 alternatives which minimize the risk of unexpected premium being required for those already on APP.

2. More complete and direct notification to UL policyholders who may not be aware that their policies may not be supported by the planned, target premium and/or present cash flow into the accumulation fund.

3. Etc.

When the proposals are completed, we will forward them to you as well as to the various units, task forces and committees that are addressing the longer term strategy.

Tom La Badia

Thomas M. La Badia

March 30, 1994

cc: Tweedie, Miller, Kelly, Doby, Stadler, Kopolovics, Delaney, Loquasto, Ruggieri, Barnewold

Mr. Greg Doby
Vice-President

Re Accelerated Payment Plan -- Alternatives

Greg, Bill Barnewold called and provided me with his estimate of the cost and timeframe for implementing the APP alternatives outlined in the attached memorandum. In his estimation, the changes could be made in two-three months for a cost of approximately $45,000. However, If these changes are implemented as part of the Fall 1994 portfolio changes, the cost would be about $10,000 less. Please let me know how we should proceed.

Willie Taylor
Wilhelmenia J. Taylor
Product Manager
Life Product Planning
Bridgewater, NJ, Ext. 1250

April 14, 1994

Attachment

cc: Barnewold, DiPiazza, LaBadia, McLoughlin, Rigby

CONFIDENTIAL

MP4011070950

Mr. Greg Doby
Vice-President

Re Accelerated Payment Plan -- Payment Options

This memo supplements our recent meeting with Tom LaBadia, Mike DiPiazza, Bill Barnewold and Pat McLoughlin. The goal of this meeting was to develop a quick strategy for improving our communications with policyholders already on APP.

As you know, the current situation is as follows:

Situation #1:

When a policyholder initially requests APP, a "full eligibility test" is performed. This test determines if the annual premium can be paid for the remaining "life of the policy." If the policy fails this test, the policyholder is told that the policy cannot go on APP and the the full annual premium must be paid out-of-pocket until such time as the policy does become eligible. This is true even when there is a substantial dividend balance to pay the annual premium for a number of years, e.g. 15 years.

Situation #2:

When a policy passes the initial eligibility test, premiums are paid each year through the APP arrangement provided the policy passes a "sufficiency test." We refer to this test as a "sufficiency test" because it simply verify that the dividend/PUAR balance is "sufficient" to pay the annual premium due that year. It does not check to see if this can be done for the remaining life of the policy. When a policy fails this sufficiency test, it is taken off the APP arrangement and the policyholder is sent a regular bill for payment of the premium.

Our goal is to reduce negative feelings on the part of our customers regarding this payment arrangement by offering them other payment alternatives. The specific group we intended to initially target are the policyholders described in situation #2. However, I believe we should take the same approach for the policyholders described in situation #1.

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I have attached a copy of Mike Rigby's January 11, 1994 memorandum wherein Company records indicate nearly 83,000 policies are currently on APP as of year-end 1993. Of those, 25% do not have sufficient dividends/dividend balances to remain on APP for the "life of the contract." It is also important to note that these figures do not include policies with a Paid-Up Additions Rider (4,551). However, Mike conducted a sampling of 25 such policies and 21 of the PUAR policies or 84%, failed the eligibility test.

As discussed at the meeting, for each policy already on APP, a "full" eligibility test would be conducted as part of the anniversary processing. We agreed on the following approach for polices that fail the eligibility test.

Offer the policyholder the following options:

#1. MetLife pays the full annual premium from dividends and/or PUAR for as many years as the balance(s) is sufficient. Include the calendar year in which the dividend/PUAR balance(s) will not be sufficient to pay the full premium. It is important to note that this date may change based on dividend scale decreases or increases.

We should, also let them know that thereafter, we can or will use the annual dividend credited each year toward the payment of the premium.

From what I have seen of policies that fail the eligibility test, the projected annual dividend for the "APP failure year," is substantial and is often only a year or two prior to the year in which the annual dividend would exceed the premium, i.e., crossover year. For example:

Annual Premium	$7315	
Annual Div."APP Failure Yr."	$7055	(18th Year)
Crossover Year Dividend	$7520	(19th Year)

#2. policyholder pays a partial premium -- the difference between the annual dividend and the annual premium.

Although this payment option mirrors the Premium Reduction Dividend option on the surface, the existing dividend option (AI or DWI) would not be changed.

#3. policyholder pays the full annual premium out of pocket

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An additional option could be offered to clients whose policies fail the eligibility test, but includes the Paid-Up Additions Rider (PUAR):

#4. policyholder makes a lump sum payment to the PUAR that would allow the policy to go on APP effective with that anniversary

The anniversary eligibility test will be based on the dividend scale then in effect. Therefore, any increase or decrease in our dividend scale may:

•change the policy year provided in payment option #1.

•cause a policyholder who re-established eligibility when they originally elected payment option 4 (lump sum PUAR payment) to again become ineligible because of the dividend scale reduction.

Options #1, #2 and #3 do not attempt to re-establish eligibility but instead offer alternatives to eligibility. Each year the policyholder will be offered all three options and provided with the most current information in order to make an informed decision.

When presenting these payment options to policyholders, we should also tell them the effect each option will have on their dividend/PUAR values. Based on the amount of data that would be included on the APP Anniversary Statement, I believe we should change the size of the existing form to an 8 1/2" X 11" form with an additional perforated return stub. See sample attached.

The anniversary statement should include wording along the following lines :

"The premiums for this policy are being paid through our Accelerated Payment Plan. Under this payment plan, the annual premium is paid by withdrawing the premium amount from the [policy's dividend balance], as long as the balance is sufficient.

Based on our current dividend scale, we have determined that the full annual premium can be paid until mo/day/year. As a result, we offer you the following payment options:

Option #1)
Option #2) Specific wording for each
Option #3) option will be developed
Option #4 (PUAR cases only))

[ ] varies based on the APP Type selected by policyholder.

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The following is a list of the four APP types available:

AP Type 1	Withdraw PUAR values only to pay annual premiums
AP Types 2 & 3	Withdraw dividends and PUAR values to pay annual premium
	Type 2 = withdraw PUAR first, followed by dividends
	Type 3 = withdraw dividends first, followed by PUAR
AP Type 4 (AI or DWI)	Withdraw only dividends to pay premiums

If you have any questions, please give me a call on Ext. 1250 in Bridgewater.

Willie Taylor
Wilhelmenia J. Taylor
Product Manager
Life Product Planning
Bridgewater, NJ

April 4, 1994

cc: B. Barnewold, M. DiPiazza, T. LaBadia
P. McLoughlin, M. Rigby

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FUTURE STATUS OF POLICIES ON THE ACCELERATED PAYMENT PLAN

A policy level projection of policies on the accelerated payment plan (APP) as of 11/93 was completed based on year end 1993 information. This analysis involved 82,778 policies and showed that 25% of the policies currently on APP have insufficient dividends and dividend balances to remain on APP. Attached is a breakdown by year of the dates of failure of these policies.

In my analysis of policies on APP I have excluded 4,551 policies with a paid up additions rider (PUAR). I will continue to work on these as time permits. A random sample of 25 policies with PUAR were tested using the online CWS APP quote system and 21 policies failed to sustain APP.

The following assumptions should be noted:

1) The 1994 dividend scale will continue unaltered.

2) Policies with both AI and DWI balances will use both dividend balances to remain on APP.

3) Policy holders will not withdraw any dividend balances other than for the APP arrangement.

4) No policyholder deaths, disabilities or cash surrenders.

In addition, some of the policies on APP as of 11/93 had become non-premium paying by 12/31/93. Some had their cash-value paid while 180 policies were on extended term implying they had reached there anniversary after 11/93 and had insufficient dividends and dividend balances to pay their 1993 premium.

MKR

Michael K. Rigby
Actuarial Associate

1/11/94

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NUMBER OF POLICIES BY YEAR
FALLING OFF APP STATUS
(Excludes policies with PUAR)

YEAR	POLICIES
1994	517
1995	878
1996	1,595
1997	2,153
1998	2,484
1999	2,575
2000	2,390
2001	2,064
2002	1,282
2003	962
2004	807
2005	735
2006	627
2007	477
2008	359
2009	279
2010	270
2011	160
2012	111
2013	60
2014	68
2015	23
2016	28
2017	16
2018	5
TOTAL	20,925

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MetLife

METROPOLITAN LIFE INSURANCE CO
41 PERIMETER CTR E SU 620
ATLANTA GA 30346

Questions?
Contact your MetLife Representative
404-395-9260
Sales Office/Agency:
3M6/671

Payment Reminder for The Enricher,® MetLife's Paid-Up Additions Rider

JOHN POLICYHOLDER
123 ANY STREET
APT A
ANYWHERE USA

Anniversary Date: March 28, 1994

Policy Number: 123456789 PR

Enricher Issue Date: March 28, 1993

Enricher Status: ISSUED NO PMTS

Face Amount of Insurance: $250,000.

Name of Insured: JOHN POLICYHOLDER

Plan: WHOLE LIFE WITH THE ENRICHER

Amount Paid, Date Paid:

Keep this part for your records.

When you purchased the life insurance policy indicated above, you also chose to add The Enricher – our Paid-Up Additions Rider – to your policy. With this valuable rider, you can accumulate additional cash value, earn attractive dividends and increase your insurance protection.

Our records indicate that we have not yet received a payment for The Enricher.

According to the terms of this rider, in order to retain the right to purchase additional insurance, a payment must be made before the first anniversary date of the policy. If you do not make a payment by the anniversary date listed above, your right to make future payments will end. However, you will continue to receive basic protection under the terms of your life insurance policy.

If you wish to make a payment to The Enricher, please indicate the amount on the bottom portion of this notice and return it with your payment in the enclosed envelope.

If you have any questions, please call your MetLife Representative at the telephone number listed above.

At MetLife, we value your business and look forward to providing you with quality service – now and in the years ahead.

Thank you for choosing MetLife.

MetLife

Enricher® Payment

Mail to:

METROPOLITAN LIFE INSURANCE CO
P O BOX 435
WARWICK RI 02887-0435

Sales Office or Agency: 3M6/671

Policy Number: 123456789 PR

Name of Insured: JOHN POLICYHOLDER

Please make check or money order payable to MetLife

JOHN POLICYHOLDER
123 ANY STREET
APT A
ANYWHERE USA

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MP4011070956

MP4011070957

To: Frank Lynch
Senior Vice President
PI Customer Services
NYHO
Area - 5H

Re: *Referral of Accelerated Payment Plan as "Paid Up"*

In reference to your note and Jim Rayl's 12\23 memorandum (copies attached). I have been working with Pam Duffy and Mike Harwood on this issue and the related "Reappearing Premiums" that are occurring because of lower dividend scales, higher cost of insurance charges, and lower UL interest rates.

Pam Duffy responded to Jim Rayl last month on his proposal to retest all policies on APP and notify all those who no longer pass the eligibility test. In lieu of that, marketing is creating an education program with material to be sent to the field and policyholders on APP explaining how it works and why it is important to periodically recheck eligibility through their field office.

Sincerely,

Tom La Badia

Thomas M. La Badia
Vice President
P.I. Customer Services
Bridgewater
Area - 2E

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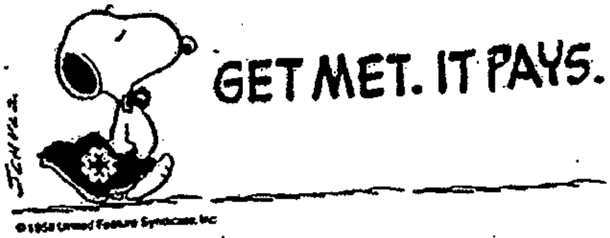
January 12, 1993

cc: Pam Duffy, Barbara Gardner, √Jim Rayl



Memorandum from . . . FRANCIS P. LYNCH

To: Tom La Balea

With whom in marketing
are you working?

Frank
1/14.

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MP401070959

Thomas La Badia
Vice-President
P. I. Customer Services
Bridgewater Area 2-E

RE: Reappearing UL Premiums - Accelerated Payment Cases

We have reviewed Jim Rayl's November 7, 1992 memorandum and your memorandum dated November 11, 1992.

We agree with all the points made in Jim's memorandum.

Ongoing eligibility testing for policies currently operating on Accelerated Payment has become a necessity because of current economic conditions. Even if we undergo an economic recovery which will allow us to increase our dividend scales in future years, the lowering of the 1992 and 1993 dividend scales could impact policies currently operating on AP, after the recovery has taken place.

Our customers will be more accepting of the problem if they are notified while lower returns on investments are a reality. If we wait until after economic recovery to tell them that a policy is no longer eligible for AP because of something that happened in the past, we could create more ill-will. We do not want to unnecessarily alarm our customers. However, we feel we owe it to our customers to notify them as soon as we become aware of a problem.

We strongly agree that some type of letter or brochure that fully explains AP should be sent to a customer as soon as his/her policy is placed on AP. Too many policyholders interpret AP as making their policy "fully paid up". So, when they are told their policy is no longer eligible for AP due to lowered dividend scales or dividend withdrawals, they almost immediately start to complain or accuse the sales representative of lying.

Tom, we do not feel Jim is crying "wolf". We have had to address many of the situations he describes. We feel a proactive approach is the best approach.

Kathy Schoos

Kathy Schoos
Director
Customer Services & Communications
MetLife Customer Service Center - Warwick

December 17, 1992

cc: J. Abela, J. Rayl, B. Glittone, P. Knott

MP40110709 60

Pamela J. Duffy
Vice-President

Re: Reappearing UL Premiums and APP Cases

Tom LaBadia received the attached memo from Jim Rayl of the Tulsa Customer Service Center regarding APP situations. The memo provides additional information with regards to Jim's previous statements that policyholders believe that a policy is "paid-up" when the APP arrangement is operative and may be unaware that premiums are being paid by dividends and or PUAR value.

This information may be useful to you in preparing your communications on how APP really works.

Richard W. Schramm

Richard W. Schramm, FLMI
Manager
Personal Insurance Customer Services
Bridgewater Area (3E) Ext. 2316
December 11, 1992

cc: (Cover memo only) B. Gardner (Tulsa), T. LaBadia, J. Rayl (Tulsa)

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Thomas LaBadia
Vice-President
Policy Administration & Customer Services
P.I. Customer Services
Bridgewater — AREA 2-E

MP40110709G1

Re "Reappearing UL Premiums" - Accelerated Payment Cases

Tom, the article which follows appeared in the *National Underwriter* and it dealt with the idea of "reappearing premiums" on UL policies. Of equal or perhaps even greater concern to me are the reappearing premiums we are likely to encounter on existing "AP" cases. I raised this issue with Paul Garavaglia and John Hodel during their recent visit so perhaps it is being addressed. But I had not heard anything and this article prompted me to think about it again.

As I'm sure you're aware, as a result of the change in dividend scale this year we had cases where eligibility quotes were done by our sales offices at year end 1992 which indicated policies were eligible. However, when they came into us in early 1993 after our electronic systems had been modified for the new scale, these cases became ineligible and could not be placed on AP. This change in dividend scale has undoubtedly impacted the eligibility status of many of the policies currently on AP. I'm sure it goes beyond those that were placed on AP last year but would have been declared ineligible this year. As I understand it, once a policy is placed on AP, there is no ongoing "eligibility testing."

In some cases, it may not surface for several years that the dividends have become inadequate to fund the policy premiums. The point I tried to make to John and Paul was that it would be a lot easier to explain this situation to our policyholders now than it might be in the future. In otherwords, the national economy and the dramatic decline in interest *(and earnings)* rates is very obvious. If we notify these policyholders now that they may well have a problem in the future, they should be able to recognize what is happening in our economy. If, on the other hand, we wait until their policies run out of dividend values, it might be at a time when the economy and interest rates are much higher. And it would be more difficult to explain and harder for the policyholder to accept.

We are currently dealing with many complaints where policies were sold on the basis that they would be eligible for AP in "X" years. "X" years is now here and, because of the dividend scale change, eligibility has been pushed into the future. In spite of the "disclaimer" on the illustration about dividend projections, the policyholders get pretty upset and want to claim "misrepresentation." But, we have found that if you can get them to calm down and "look around" at what has happened, they will usually accept it. This would not be the case if the changes that have taken place in the economy weren't so obvious.

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NOTE: THE CURRENT PROBLEM IS ALSO COMPOUNDED BY THE WAY THESE POLICIES WERE SOLD. IN THE VAST MAJORITY OF CASES WE SEE, "AP" WAS SOLD AND EXPLAINED BY THE REPRESENTATIVE THAT THE POLICY WOULD BECOME "PAID-UP" IN "X" YEARS. WHILE THIS MAY HAVE BEEN THE EASIEST WAY TO EXPLAIN THE CONCEPT TO THE POLICYHOLDER, IT ONLY COMPLICATES OUR EXPLANATION OF CURRENT INELIGIBILITY. WE NEED TO PROVIDE POLICYHOLDERS WITH A BETTER UNDERSTANDING AND EXPLANATION OF "AP" AS WELL AS THE POTENTIAL IMPACT OF ECONOMIC CONDITIONS. WE WOULD BE MUCH BETTER OFF TO EXPLAIN THIS AT THE TIME THE POLICY IS PLACED ON "AP" THAN AT SOME POINT IN THE FUTURE WHEN DIVIDENDS BECOME INADEQUATE TO COVER PREMIUMS.

Tom, my recommendation would be to run new eligibility tests on all cases *currently on AP.* If they fail the eligibility testing or perhaps are even close to failing, we should notify those policyholders NOW that they may run into a problem in the future. I think our explanation will be much more readily accepted now. On the other hand, if any significant number of policyholders are so affected in the future, it could do great damage to our image of financial stability and all the great strides we have made in becoming a customer oriented Company. For cases where eligibility is inadequate or "close," we could recommend that the policyholder pay one *(or more)* additional year's premium.

I would also recommend a couple other steps. One, we may wish to consider "tightening" up our eligibility testing. I have heard that we may be going to have another change in dividend scale. If this occurs, we will have another whole block of policies that could potentially have the same problem.

In addition, I think some type of letter or a little brochure should be prepared and sent to policyholders when they place their policies on AP. It should explain the AP concept in plain english as well as where dividends come from and why they are impacted by the general economy. In doing so, this would help to reinforce the initial disclaimer on dividend projections.

We cannot afford to leave policyholders with the impression that AP is a *"done deal"* or that their policies are *"paid-up"* and no future premiums will ever be required unless we can be absolutely, positively sure of it *(assuming the policyholder leaves the dividend balance undisturbed)*. This is the impression many of them have because of the way the policies were sold or explained.

Tom, perhaps I'm crying "wolf" a little too soon, but from where I'm sitting and what I see, I think this could be a real problem unless we take some proactive measures to deal with it.

Jim

J. L. Rayl
Director
Customer Services & Communications
MetLife Customer Service Center - Tulsa

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November 7, 1992

cc Barbara Gardner

Cc ..panies Are Tacl..ng 'Reappearing' Premiums

BY LINDA KOCO

"It's not a pretty story, but it's a real story, and one we're going to hear about more in the future," said Ben Hannum, a partner of Safe Harbor Financial brokerage in Philadelphia.

He was referring to the arrival of so-called "reappearing" premiums on universal life policies that were written on a vanish- or single-premium basis during the 1980s.

News reports have recently surfaced about companies notifying owners of such policies that they'll have to pay additional premiums—sometimes whopping ones—just to keep their policies in force. The reason most often cited is lower-than-projected investment performance, stemming from the nation's falling interest rate environment, and sometimes complicated by policy loans, skipped premiums, or failure to pay dump-in premiums as intended.

Mr. Hannum tells of one man with a $50,000 single premium UL who was upset to learn that "he will run out of policy by the time he is 67 years old, even if he lowers the face amount to $25,000." To keep the policy in force, the man had to deposit more money.

"Four or five years ago, I don't think agents or companies ever envisioned this would happen," he said.

The extent to which it is happening is a matter of dispute. Company executives contacted by *National Underwriter* indicated that most of their companies' existing UL policies have "no problems." This may be because their companies wrote very little vanish-premium business in the 1980s or because they used conservative interest assumptions, the executives said.

Some also questioned the implications which UL critics draw from reappearing premium stories. The premiums may have come back due to heavy policy loan activity rather than lower-than-expected investment performance, they said.

Even so, the executives indicated that if today's low interest rate environment continues much longer, there will be more reappearing—and more increasing—UL premiums, and policy lapses may follow as angry and financially-strapped policyholders cancel out. Because of this, a number of companies are taking steps to "preempt" the problem.

Penn Mutual Life, for instance, is piloting a program that will detect existing contracts with declining cash values. "We will send a letter to the client and agent that will say what might happen if there is no change in the future," said Tom Harr, assistant vice president and product manager of the Philadel-

Cont'd on Page 18

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Cos. Go Proactive On Reappearing UL Premiums

Cont'd from Page 15

phia insurer. Included will be recommendations about "what can be done to stop the decline, and maybe even create growth."

This is like the company's lapse notification procedure, he added, "only now, we'll do it sooner."

The pilot is in addition to the company's existing practice of giving rate projections, on both a current and guaranteed basis, in the annual statement sent to policyholders and agents, complete with a footnote showing when the policy will lapse on both a guaranteed and current basis.

Another proactive program comes from New England Mutual Life, Boston. The strategy, says Michael Ridge, assistant officer-traditional product management, is to suggest that certain customers "delay the vanish point" for one to three years. This way, the customer will pay an additional premium now and avoid having a larger premium reappear later on. To do this, the company sends its agents a list of targeted clients; the agents then work with the clients on what to do.

New England is also focusing on field force education. "Through seminars and classroom training, we talk about how vanish works, why it breaks down, how our delay vanish program works," and other optional changes, said Mr. Ridge. This helps build agent confidence in discussing the subject with clients, he said.

Kemper Life Cos., Long Grove, Ill., is sending letters to clients. "We explain that interest rates are down, and we remind customers that the vanish is based on interest rates," said Robert A. Miller, director-marketing services. When the company started the program two years ago, he added, "we did have some lapses, but that has flattened out now."

Agents are instrumental in keeping business on the books, Mr. Miller added, explaining that their personal relationship with clients put them in a position to help clients understand. Also, he said the contact, about potential reappearing premiums, provides the agent with a good opportunity to work with clients on "noticeably management" of their ULs.

Other companies are currently looking into proactive programs. For example, Alexander Hamilton Life, Farmington Hills, Mich., is looking at ways to notify policyholders, in a positive way, about the impact of lower interest rates on policy performance, said Ric Renfro, assistant vice president-product planning. It's also considering encouraging agents to undertake annual or semi-annual policy reviews.

Meanwhile, ITT Life, Minneapolis, is considering developing a program that analyzes policies and communicates with clients about options, in cases of potential reappearing premium.

It's not only UL policies that are vulnerable, stressed Mr. Ridge. It can happen to any interest-sensitive policy written on a vanish basis, including dividend-paying whole life.

Some people view the reappearing premium more as a UL problem than a WL problem, he suggested, because UL was initially more sensitive to falling interest rates, due to its heavy reliance on new money rates—which, in the 1980s, were very high. (Today, the interest sensitivity of the two are more comparable, he added, because ULs are invested in longer-term obligations, as are WLs.)

Another reason for the UL focus: "The premium that comes back on a vanished UL is often larger than the original premium, and it's on a contract that has no underlying cash value," said Mr. Miller.

The policy essentially becomes an annual renewable term plan with high premiums," added Mr. Renfro.

By contrast, said Mr. Ridge, the most an ordinary life policyholder will be asked to pay is the actual premium, if there are no outstanding policy loans. (But they may need to pay the premium for several years.)

The problem can be compounded, for both UL and WL contracts, "if the interest sensitivity of contracts was not explained to clients very well in the first place," said Mr. Harr.

"If companies and agents do nothing and let the policy lapse notices do the talking for them," warned Mr. Miller, "the bad faith/lawsuit potential will be much larger."

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